

BUILDING THE PROVINCIAL- MUNICIPAL PARTNERSHIP



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MESSAGE FROM MINISTER OF MUNICIPAL AFFAIRS AND HOUSING

Ontario municipalities provide essential services, develop local infrastructure, promote economic development and deliver social and cultural programs. With such important responsibilities, the province and municipalities must work together to help our communities thrive.

In 2003, our government turned the page on past approaches which included downloading on municipalities. We committed to work with municipalities as partners and through this approach we have made remarkable progress over the last several years.



One of our most significant accomplishments is the Provincial Municipal Fiscal and Service Delivery Review (PMFSDR). However, I am aware that many new members of municipal council are not immediately familiar with the PMFSDR agreement and the benefits it offers municipalities. This booklet provides information to help you effectively represent your jurisdiction in the months and years ahead.

In 2006, our government invited municipalities to explore how to better fund and deliver services to Ontarians. This collaboration resulted in an historic agreement, whereby the province reversed decisions made by a previous provincial government and is taking responsibility for funding social assistance benefit programs and up to \$125 million annually in court security costs.

With this agreement, municipalities will realize a net annual benefit of \$1.5 billion by 2018. The PMFSDR, along with other supports for municipalities, constitutes a 270 per cent increase in support for municipalities since 2003.

As a former municipal councillor, I know firsthand municipal representatives work tirelessly to improve their communities. Moving forward, we will continue to work closely with you, our municipal partners, so that local tax dollars can go toward priorities that are important to your communities.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Rick Bartolucci'.

Rick Bartolucci,

Minister of Municipal Affairs and Housing

LOOKING BACK: WHY WE REVIEWED PROVINCIAL-MUNICIPAL ARRANGEMENTS

Ontarians, as both taxpayers and users of services, have a clear expectation that governments provide effective, fiscally responsible public services.

Near the end of the 1990s, the government implemented Local Services Realignment. This changed many key provincial and municipal responsibilities and funding arrangements. The province transferred several responsibilities and costs for social housing, social assistance, public transit, child care and land ambulance services to municipalities.

With this approach to downloading services, municipalities faced significant challenges and increased operating costs in order to meet the increased demands.

Throughout this process, municipalities did not feel they were treated as partners. This contributed to significant strains in the provincial-municipal relationship.

Building a provincial-municipal partnership

Since 2003, the Ontario government has worked to fix this relationship and create more collaborative and productive relationships with municipalities.

Ontario has increased its investments in infrastructure to levels the province has not seen in decades including municipal infrastructure and public transit. In addition, the province increased its share of public health costs from 50 to 75 per cent and made significant new investments to strengthen land ambulances services and maintain its 50:50 cost-sharing commitment.

However, there was a strong sense from both the province and municipalities that a comprehensive assessment of responsibilities and financial arrangements was required.

Over time, provincial-municipal roles became highly intertwined and often complicated, and it was evident that a thorough study was needed to determine how services could be delivered in the most effective and sustainable manner to ensure that Ontario remain a strong, economically competitive province in the years ahead.

FACING THE FUTURE-TOGETHER

“In 2005, we called upon the Ontario government to work with municipalities to develop a plan to restore fiscally sustainable municipal government to Ontario over a manageable period of time. The province listened and it has worked with us to building stronger communities in Ontario.”

– AMO President Peter Hume

In late 2006, the province invited the Association of Municipalities of Ontario (AMO) and the City of Toronto to participate in a wide-ranging review of provincial-municipal arrangements. The PMFSDR, involving provincial and municipal leaders and officials from across the province, resulted in a consensus agreement in the fall of 2008.

A new fiscal framework was established for municipalities. The province committed to upload municipal costs related to:

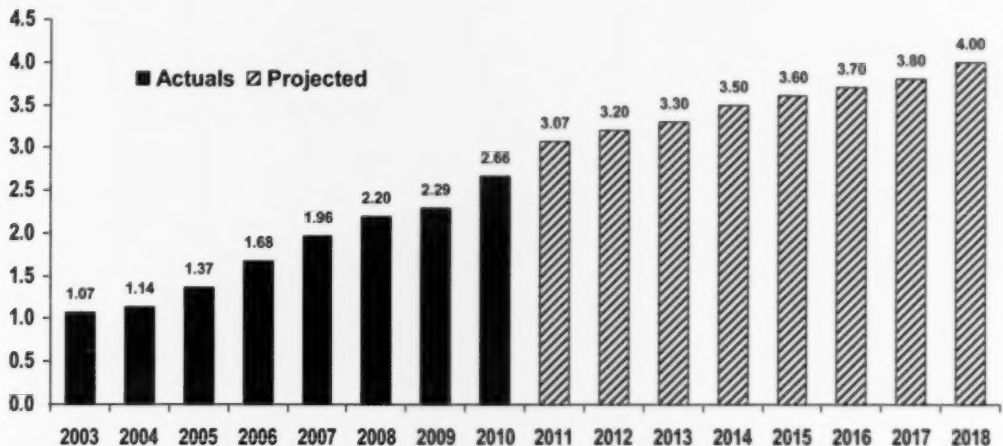
- Ontario Drug Benefit Program (upload completed in 2008)
- Ontario Disability Support Program (upload completed in 2011)
- Ontario Works Benefits (to be phased in over nine years beginning in 2010)
- Court Security (to be phased in over seven years beginning in 2012, to a maximum of \$125 million annually)

By reversing the downloading of responsibility for costs, and with new provincial uploads in place, municipalities have greater flexibility and more opportunities to use their property tax dollars for other key municipal priorities, such as infrastructure and economic development.

The Review agreement uploaded funding for services that had previously been partly paid for by municipal governments. When these uploads are fully implemented in 2018, the net benefit to municipalities will be \$1.5 billion annually. Together with other provincial programs, by 2018 ongoing support to municipalities will increase by 270 per cent from 2003, for a total of \$4 billion annually.

Ongoing Support to Municipalities is Increasing 270% increase by 2018

\$ Billions



Includes: Uploads of social assistance benefit programs (ODB, ODSP & OW Benefits), Court Security, OMPF/CRF, Provincial Gas Tax Funding, Public Health and Land Ambulance.

Does not include one-time investments such as Infrastructure Stimulus Fund, Building Canada Fund - Communities Component, Investing in Ontario Act, etc.

Source: Provincial-Municipal Fiscal and Service Delivery Review: Facing the Future Together (October 2008), Ministries of Finance, Transportation, Health and Long-Term Care, Community and Social Services.

Also includes additional funding for OW Administration costs beginning in 2010.

In 2011 alone, provincial uploads will save municipalities \$947 million. Total 2011 provincial support for municipalities, including the PMFSDR uploads and funding provided through the Ontario Municipal Partnership Fund, has nearly tripled since 2003.

The Ontario Municipal Partnership Fund is a key component of the ongoing support the province provides to its municipal partners. As the province's main transfer payment to municipalities, this funding continues to remain responsive to changes in municipal circumstances, by targeting support for municipalities with high social program and policing costs, and addressing challenges faced by northern and rural communities.

“Kawartha Lakes is pleased to receive these funds and will be looking to use them strategically to focus on our priorities and create prosperity for the people of Kawartha Lakes.”

– Kawartha Lakes Mayor Ric McGee

While there are different factors and local circumstances that can affect municipal taxes, provincial uploads are helping municipalities to lower, freeze or minimize increases in municipal property taxes and invest in local priorities.

ONGOING PROGRESS—BUILDING ON THE REVIEW'S LEGACY

Since the Review agreement was reached, the province and municipalities have continued to collaborate on important initiatives that were identified as key priorities.

Building Foundations: Building Futures – Ontario's Long Term Affordable Housing Strategy

While previous provincial governments reduced funding for housing by transferring responsibility to municipal governments, more than \$2.5 billion has been invested in affordable housing in Ontario since 2003.

These investments have built and repaired affordable homes, provided rent support and prevented evictions – helping municipalities to address housing needs in their communities. In addition, the province provides \$430 million in annual operating funding for important local housing and homelessness services.



Flexibility for municipalities

To continue working to improve Ontario's housing system, the province consulted extensively with municipalities and other partners to develop a new Long-Term Affordable Housing Strategy, which was launched in November 2010.

During the consultations, municipalities spoke about how they needed more flexibility to help them deliver better housing services. The new long-term strategy reflects these views, giving municipal service managers the flexibility to use funding to address the unique needs of their communities and better help people in need. Consolidating the current patchwork of provincial programs will allow municipalities to use funding to provide supports according to specific needs, rather than being bound by unnecessary, restrictive guidelines.

The Housing Services Act 2011, which will come into effect at the start of 2012, will also eliminate complicated rules and reduce barriers to affordable housing.

Please visit Ontario.ca/HousingStrategy for more information on Ontario's Long-Term Affordable Housing Strategy.

“Our city has benefited from a \$25-million upload of social service costs back to the province that allows us to help more people. I was very specific in my campaign that I would use \$14 million of upload savings to invest in housing and homelessness initiatives.”

– Ottawa Mayor Jim Watson



Needing a long-term federal commitment

“Canada urgently needs a renewed funding commitment and a national housing plan led by the federal government.”

– Federation of Canadian Municipalities

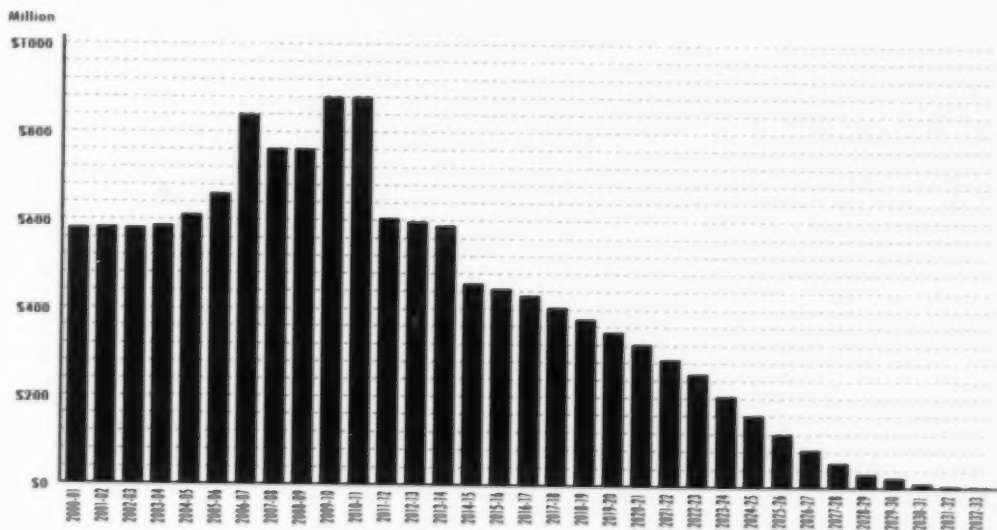
Current federal funding for affordable housing is either short-term or declining. This limits the ability of housing providers to effectively plan long-term and fully participate in capital projects that build more affordable housing.

The federal government will decrease housing funding to Ontario municipalities by more than \$200 million over the next 10 years, declining to \$0 by 2033.

Ontario has often partnered with the federal government so that Ontarians can have more access to affordable housing. In 2005, Ontario signed the largest Affordable Housing Program in Canadian history. The recent Investment in Affordable Housing agreement is another example, where the province successfully negotiated a short-term, flexible funding arrangement with the federal government to 2014.

However, long-term, adequate, stable federal funding is crucial to building a successful housing system. Ontario wants to partner with municipalities and call upon the federal government to make a long-term commitment. The federal government must be engaged with Ontario, other provinces, and territories to create a housing framework that includes adequate, long-term, flexible funding for affordable housing, including maintaining and restoring lost funds for social housing.

Federal Housing Funding for Ontario



Source: Federal-Ontario funding agreements and Public Accounts

Ontarians expect the federal government to be a full partner in responding to today's challenges and supporting their communities. However, the federal government is not providing the same support to Ontario as it provides to other regions of Canada in areas such as immigration, employment insurance, risk management and support for our clean energy economy. This puts Ontario's municipalities at a disadvantage in delivering high-quality services and fostering a competitive economy.

Improving Ontario Works

As a result of the PMFSDR agreement, the province is uploading costs for Ontario Works benefits, which will save municipalities \$425 million annually by 2018. To further support municipal efforts to deliver Ontario Works, the province and municipalities committed to explore improvements in program delivery of services for people in need.

In 2010-11, as this work continued, the province stepped up and provided \$120 million to municipalities to address increased demand for Ontario Works support resulting from the global economic downturn. In April 2011, Ontario is providing municipalities with an increase of more than \$160 million for 2011-12 to deliver Ontario Works.

The new approach is consistent, flexible and recognizes the unique costs to deliver services in low population density areas such as northern and rural Ontario. This funding approach will support programs that will see more people move towards employment and be more financially independent.

“Premier Dalton McGuinty gave the region a break this year by taking \$13 million in welfare costs from the municipality.”

– Waterloo Record, March 25, 2011

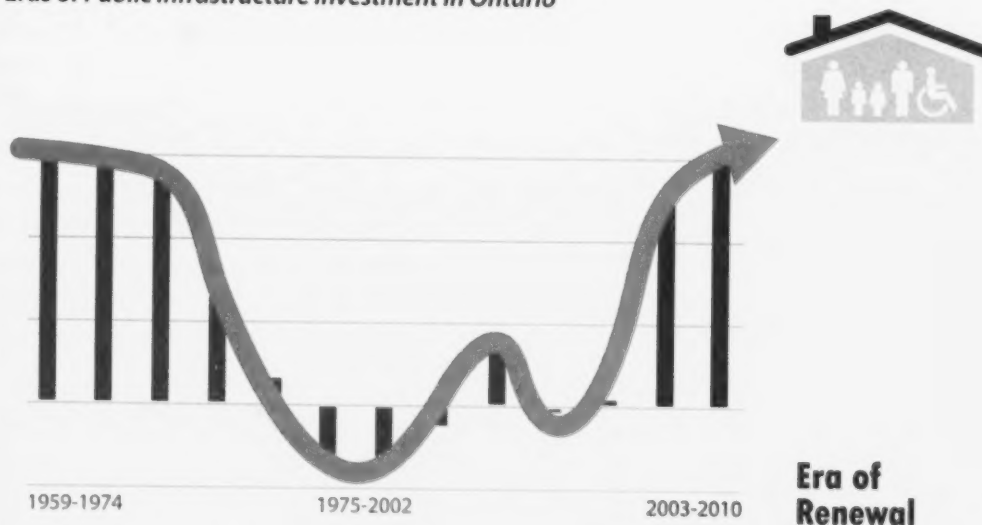


Supporting Local Infrastructure

Before 2003, Ontario's infrastructure had been neglected for almost 30 years. Underinvestment, aging infrastructure and growth pressures led to a substantial infrastructure deficit. Since 2003, the government has invested \$62 billion in infrastructure. The province's annual infrastructure spending has significantly increased from \$2.6 billion in 2003-04 to \$12.8 billion in 2011-12.

This has had direct, positive results for municipalities. The provincial uploads have also ensured that municipal property tax dollars are focused on important local priorities, including modern and efficient infrastructure. Municipalities are now in a better position to build their communities, foster local economic opportunities and compete in the global economy, which contributes to increasing their quality of life.

Eras of Public Infrastructure Investment in Ontario



Building together – jobs and prosperity for Ontarians

Despite record levels of investment over the last seven years, the case for continued investment and strategic planning is as compelling as ever. Ontario's new long-term infrastructure plan, Building Together, will help communities of all sizes meet the needs of local families and build on these investments by:

- Investing more than \$35 billion over the next 3 years.
- Effectively managing tax dollars by making responsible infrastructure investments.
- Building infrastructure to meet the challenge of tomorrow: to create jobs, to drive our competitiveness and to boost our standard of living.

Since 2003, the province has provided over \$12 billion directly for local infrastructure, helping municipalities to expand and modernize transit systems, repair and upgrade roads and bridges, improve water and wastewater systems, and revitalize community infrastructure. The Infrastructure Ontario Loan Program has provided \$3.4 billion in affordable long term loans to 210 municipalities for over 1,200 projects across province.

Provincial investments in municipal infrastructure have benefited communities in every corner of the province:

- The province has invested more than \$11.6 million to expand the Belleville Recreation and Community Centre – a recreational and social focal point of the City of Belleville and the Quinte Region.
- More than \$14.6 million in provincial funding for Prince Arthur's Landing in Thunder Bay, a waterfront development the City of Thunder Bay is developing in partnership with First Nations and the private sector.
- The Town of Hawkesbury has been supported with a more than \$11.8 million provincial investment to overhaul and upgrade its wastewater treatment plant.
- Ontario is investing \$8.3 million in a multi-use complex that will house the City of Hamilton's Emergency Operations Centre and incorporate training facilities for all three emergency services (police, fire, EMS).
- A streetscaping initiative in Windsor's City Centre, supported by \$2.4 million of provincial funding will help revitalize a portion of the downtown business area and replace aging infrastructure.
- On Highway 69 between Parry Sound and Sudbury, \$600 million has been invested for roadway expansion. This is an important economic driver connecting Northern and Southern Ontario.



Provincial Gas Tax Supporting Municipal Transit

"The gas tax funding is certainly a boost to help us update the transit system and make it better. The bus has given people access to badly-needed jobs they otherwise couldn't get because of a lack of transportation. It's putting smiles on their faces."

– Deseronto Mayor Norman Clark

Since 2004, the Ontario government has provided annual, sustainable support to municipalities through the provincial gas tax. More than \$1.9 billion has allowed municipalities to improve transit services by adding more buses, expanding routes and making transit more accessible for people with disabilities.

The Ontario government has invested \$10.8 billion in public transit since 2003, including approximately \$4.7 billion in GO Transit. This critical investment is helping to reduce gridlock – which is a major threat to economic competitiveness – as well as generating jobs and reducing air pollution.

Roads and bridges

Since 2003, Ontario has provided over \$1.5 billion in funding for municipal roads and bridges. In addition, all Ontario communities have significantly benefited from more than \$14 billion committed to design, repair and expand provincial highways, roads and bridges across Ontario. The result is that 5,500 km of provincially-owned roads have been built or rebuilt, and 739 provincially-owned bridges have been repaired or replaced. More than 300,000 jobs are being created and sustained in communities all over Ontario through record investments in roads, bridges, public transit and other infrastructure.

When it comes to local transportation, Ontario's municipalities are in a better position than they were before 2003. The uploading of three major social assistance programs provides municipalities with more room in their budgets for investment in municipal infrastructure, including roads and bridges. The province and municipalities continue to work together to develop options to address the long term sustainability of municipal road and bridge infrastructure. In addition, the partners are assessing data needs to support asset management best practices and developing a system for classifying municipal roads.



STAYING THE COURSE

“This commitment to continued uploading by the provincial government will strengthen our ability to deliver local priorities.”

– Oakville Mayor Rob Burton

The Provincial-Municipal Fiscal and Service Delivery Review was a major landmark for the provincial-municipal relationship. With the review's consensus agreement, the Ontario government has committed to providing unprecedented provincial support for municipalities.

Municipal governments are now much better equipped to plan for, invest in and manage their communities. Across Ontario, municipalities are no longer having to pay millions of dollars in social assistance benefits and soon, the same will hold true for court security costs. This means they can focus on local priorities such as infrastructure, investing in services to enhance their communities and other local priorities.

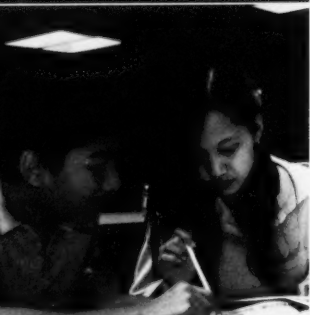
The Review did more than alleviate financial pressures from Ontario municipalities. It was the catalyst for a renewed relationship with our municipal partners in the spirit of respect and good will. It also strengthened our ability to work effectively together for the good of all Ontarians.

It is important to note that despite considerable financial pressures resulting from the global recession, Ontario stayed the course on our uploading commitment, unlike other governments facing a similar situation.

Ontario is committed to continue working with our municipal partners – our joint efforts have accomplished much over the past few years, we continue to make great progress with this partnership. The Ontario government continues to make investing in communities and supporting municipalities a key priority.

After the global recession, Ontario is turning the corner to a better tomorrow. The economy is improving and jobs are coming back. This year, more than 40 per cent of all the new jobs created in Canada have been created in Ontario. Together, the Ontario government and Ontario municipalities will continue to build strong communities with a quality of life that is second to none.

For more information on the PMFSDR please see Ontario.ca/ProvincialMunicipalReview.



Ministry of Municipal Affairs and Housing

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